RUI KANG PHARMACEUTICAL GROUP INVESTMENTS LIMITED
銳康藥業集團投資有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)
(Stock code: 8037)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED ("STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

FINAL RESULTS

The board ("**Board**") of Directors of the Company announces the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2015, together with the comparative figures for the year ended 31 December 2014, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	**2015** ***HK$'000***	2014 *HK$'000* (Restated)
Continuing operations			
Gross proceeds	5, 6	**115,693**	143,316
Turnover	5, 6	**34,127**	70,110
Cost of sales		**(24,497)**	(44,219)
Gross profit		**9,630**	25,891
Other income and gains/(losses)	7	**(15,946)**	(36,847)
Selling and distribution expenses		**(6,266)**	(7,517)
Administrative expenses		**(37,680)**	(39,880)
Loss from operations		**(50,262)**	(58,353)
Finance costs	8	**(402)**	(1,575)
Loss on disposal of assets held for sale	16(c)	**(986)**	–
Loss on deemed disposal of partial interest in a joint venture		**–**	(5,892)
Share of profits of associates		**1,055**	–
Share of (loss)/profit of a joint venture		**(8,445)**	83
Impairment loss recognised on goodwill		**(1,000)**	(8,240)
Impairment loss recognised on intangible assets		**–**	(421)
Loss before tax	9	**(60,040)**	(74,398)
Income tax credit/(expenses)	10	**389**	(473)
Loss for the year from continuing operations		**(59,651)**	(74,871)
Discontinued operation			
Loss for the year from discontinued operation	9, 16(a)	**(8,109)**	(8,075)
Loss for the year		**(67,760)**	(82,946)
Loss for the year attributable to:			
Owners of the Company			
– from continuing operations		**(54,160)**	(74,854)
– from discontinued operation		**(8,109)**	(8,075)
Non-controlling interests			
– from continuing operations		**(5,491)**	(17)
		(67,760)	(82,946)

	Notes	**2015**	2014
		HK$'000	*HK$'000*
			(Restated)
Loss for the year		**(67,760)**	(82,946)
Other comprehensive (loss)/income for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(3,061)**	77
Release of exchange difference upon disposal of assets held for sale	16(c)	**14**	–
Share of exchange differences of investments in associates		**617**	–
Share of exchange difference of an investment in a joint venture		**(1,010)**	(7)
Other comprehensive (loss)/income for the year, net of tax		**(3,440)**	70
Total comprehensive loss for the year		**(71,200)**	(82,876)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(64,253)**	(82,946)
Non-controlling interests		**(6,947)**	70
		(71,200)	(82,876)
Dividends	11	**–**	–
Loss per share (HK$) – Continuing and discontinued operations	12		
– Basic and diluted		**(0.212)**	(0.970)
Loss per share (HK$) – Continuing operations			
– Basic and diluted		**(0.184)**	(0.876)
Loss per share (HK$) – Discontinued operation			
– Basic and diluted		**(0.028)**	(0.094)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	**2015** **HK$'000**	2014 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**31,005**	46,816
Prepaid lease payments		**8,619**	13,884
Goodwill		**29,411**	2,478
Intangible assets		**58,570**	12,169
Investment in a joint venture		**–**	22,963
Investments in associates		**12,319**	–
Available-for-sale financial assets		**3,600**	–
		143,524	98,310
CURRENT ASSETS			
Prepaid lease payments		**240**	370
Inventories		**9,705**	63,880
Trade and bills receivables	13	**22,529**	28,068
Loan receivable		**6,025**	–
Deposits, prepayments and other receivables		**49,095**	32,896
Tax recoverable		**466**	453
Held for trading securities		**54,793**	18,697
Pledged cash deposit		**–**	2,535
Cash and cash equivalents		**75,234**	39,163
		218,087	186,062
Assets classified as held for sale	16	**116,407**	42,644
		334,494	228,706
CURRENT LIABILITIES			
Trade and bills payables	14	**4,270**	21,048
Other payables and accruals		**28,475**	68,945
Bank and other borrowings		**1,917**	19,014
Tax payable		**71**	29
		34,733	109,036
Liabilities associated with assets classified as held for sale	16	**98,535**	20,067
		133,268	129,103
NET CURRENT ASSETS		**201,226**	99,603
TOTAL ASSETS LESS CURRENT LIABILITIES		**344,750**	197,913

	2015	2014
	HK$'000	*HK$'000*
NON-CURRENT LIABILITY		
Deferred tax liabilities	**2,012**	–
NET ASSETS	**342,738**	197,913
CAPITAL AND RESERVES		
Share capital	**65,699**	10,056
Reserves	**255,359**	159,214
Equity attributable to owners of the Company	**321,058**	169,270
Non-controlling interests	**21,680**	28,643
TOTAL EQUITY	**342,738**	197,913

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company											
	Share capital *HK$'000*	Share premium *HK$'000*	Share option reserves *HK$'000*	Special reserve *HK$'000* *(Note a)*	Other reserve *HK$'000* *(Note b)*	Statutory surplus reserve fund *HK$'000* *(Note c)*	Statutory enterprise expansion fund *HK$'000* *(Note d)*	Exchange reserves *HK$'000*	Accumulated losses *HK$'000*	Sub-total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
At 1 January 2014	3,144	–	13,374	235,391	–	15,479	3,098	23,692	(165,987)	128,191	–	128,191
Loss for the year	–	–	–	–	–	–	–	–	(82,929)	(82,929)	(17)	(82,946)
Other comprehensive (loss)/income for the year:												
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	(10)	–	(10)	87	77
Share of exchange difference of an investment in a joint venture	–	–	–	–	–	–	–	(7)	–	(7)	–	(7)
Other comprehensive (loss)/income for the year, net of tax	–	–	–	–	–	–	–	(17)	–	(17)	87	70
Total comprehensive (loss)/income for the year	–	–	–	–	–	–	–	(17)	(82,929)	(82,946)	70	(82,876)
Cancellation of share options	–	–	(1,801)	–	–	–	–	–	1,801	–	–	–
Lapse of share options	–	–	(11,573)	–	–	–	–	–	11,573	–	–	–
Recognition of equity settled share-based payment expenses	–	–	3,385	–	–	–	–	–	–	3,385	–	3,385
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	28,573	28,573
Issue of ordinary shares	6,912	120,033	–	–	–	–	–	–	–	126,945	–	126,945
Less: Shares issue expenses	–	(6,305)	–	–	–	–	–	–	–	(6,305)	–	(6,305)
At 31 December 2014	**10,056**	**113,728**	**3,385**	**235,391**	**–**	**15,479**	**3,098**	**23,675**	**(235,542)**	**169,270**	**28,643**	**197,913**

	Attributable to owners of the Company											
	Share capital *HK$'000*	**Share premium** *HK$'000*	**Share option reserves** *HK$'000*	**Special reserve** *HK$'000* *(Note a)*	**Other reserve** *HK$'000* *(Note b)*	**Statutory surplus reserve fund** *HK$'000* *(Note c)*	**Statutory enterprise expansion fund** *HK$'000* *(Note d)*	**Exchange reserves** *HK$'000*	**Accumulated losses** *HK$'000*	**Sub-total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total** *HK$'000*
At 1 January 2015	**10,056**	**113,728**	**3,385**	**235,391**	**–**	**15,479**	**3,098**	**23,675**	**(235,542)**	**169,270**	**28,643**	**197,913**
Loss for the year	–	–	–	–	–	–	–	–	(62,269)	(62,269)	(5,491)	(67,760)
Other comprehensive (loss)/income for the year:												
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	(1,605)	–	(1,605)	(1,456)	(3,061)
Release of exchange difference upon disposal of assets held for sale *(Note 16(c))*	–	–	–	–	–	–	–	14	–	14	–	14
Share of exchange differences of investments in associates	–	–	–	–	–	–	–	617	–	617	–	617
Share of exchange difference of an investment in a joint venture	–	–	–	–	–	–	–	(1,010)	–	(1,010)	–	(1,010)
Other comprehensive loss for the year, net of tax	–	–	–	–	–	–	–	(1,984)	–	(1,984)	(1,456)	(3,440)
Total comprehensive loss for the year	–	–	–	–	–	–	–	(1,984)	(62,269)	(64,253)	(6,947)	(71,200)
Changes in ownership interests in subsidiaries without loss of control *(Note 17)*	–	–	–	–	3,154	–	–	–	–	3,154	(16)	3,138
Issue of ordinary shares	55,643	164,346	–	–	–	–	–	–	–	219,989	–	219,989
Less: Shares issue expenses	–	(7,102)	–	–	–	–	–	–	–	(7,102)	–	(7,102)
At 31 December 2015	**65,699**	**270,972**	**3,385**	**235,391**	**3,154**	**15,479**	**3,098**	**21,691**	**(297,811)**	**321,058**	**21,680**	**342,738**

Notes:

a. Special reserve of (i) approximately HK$22,443,000 represents the difference between the paid-up capital and share premium of the subsidiary acquired and the nominal value of the Company's shares issued for the acquisition at the time of the Group reorganisation on 26 May 2004; and (ii) approximately HK$212,948,000 was recorded after setting off the capital reduction and the cancellation of the share premium with the accumulated losses as at the date of the change of domicile and the capital reorganisation of the Company which became effective on 28 August 2013 and 19 September 2013 respectively.

b. Other reserve arose from the deemed disposal of partial interests in subsidiaries through issue and allotment of new shares by a then subsidiary to an independent third party. Details of the changes in ownership interests in subsidiaries without loss of control are disclosed in note 17.

c. Pursuant to the Articles of Association of certain subsidiaries of the Company in the People's Republic of China ("**PRC**"), those subsidiaries should transfer not less than 10% of net profit to the statutory surplus reserve fund, while the rest of the subsidiaries of the Company in the PRC can make appropriation of net profit to the statutory surplus reserve fund on a discretionary basis.

   The statutory surplus reserve fund can be used to offset previous year's losses, expand the existing operations or convert into additional capital of those PRC subsidiaries.

d. Pursuant to the Articles of Association of certain subsidiaries of the Company in the PRC, those subsidiaries can make appropriation of net profit to the statutory enterprise expansion fund on a discretionary basis.

   The statutory enterprise expansion fund can be used to expand the capital of those subsidiaries by means of capitalisation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated and registered as an exempted company in the Cayman Islands under the Company Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 5 June 2003. On 29 August 2013, the Company deregistered in the Cayman Islands and duly continued in Bermuda as an exempted company under the laws of Bermuda. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The head office and the principal place of business of the Company in Hong Kong is located at Room 1213, Tower A, New Mandarin Plaza, 14 Science Museum Road, Kowloon, Hong Kong.

The issued shares of the Company have been listed on the GEM since 17 June 2004.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"). Other than those subsidiaries established in the PRC whose functional currency is Renminbi ("**RMB**"), the functional currency of the Company and its subsidiaries is HK$. The reason for selecting HK$ as its presentation currency is because the Company is a public company listed on GEM, where most of the investors are located in Hong Kong.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are (i) manufacture, research and development, sale and distribution of consumer cosmetics, health related and pharmaceutical products, health supplement wine, dental materials and equipment in the PRC and Hong Kong, (ii) provision of medical laboratory testing services and health check services in Hong Kong, and (iii) trading of securities in Hong Kong.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the GEM Listing Rules.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3. GOING CONCERN CONVENTION

In preparing the consolidated financial statements, the Directors have given careful consideration to the liquidity of the Group as the Group has sustained operating losses for five consecutive years and incurred loss of approximately HK$67,760,000 from continuing and discontinued operations for the year ended 31 December 2015 (2014: HK$82,946,000).

In order to improve the situation, the Group will continue to strengthen the health related and pharmaceutical products business through (i) upgrading and redesigning the websites of the Group in order to enhance the online sales of healthcare related products in Hong Kong; (ii) introducing new health related products and changing of the package design of the existing healthcare products in order to enlarge the products lists and attract the different market segments of customers; (iii) leveraging on solid foundation and competitive strengths of DVF Holdco (Cayman) Limited ("**DVF**"), (together with its subsidiaries, collectively, the "**DVF Group**") in the provision of medical laboratory testing services and health check services to enhance the revenue sources and profitability; and (iv) developing and expanding the distribution networks of existing products and manufacturing of new health related and pharmaceutical products through the factory held by 貴陽舒美達制藥廠有限公司 (in English, for identification purpose only, Guiyang Shu Mei Da Pharmaceutical Co., Ltd.) ("**Shu Mei Da**"). The Company has narrowed the trading securities losses through revamping its investment strategies in securities trading business by investing in listed securities with potential returns. The Board will remain cautious in the allocation of internal resources and in the identification and seizure of appropriate securities investment opportunities with a view to generating gains for the securities trading business of the Group.

In the opinion of the Directors, as the measures described above accomplish the expected results, the Directors are satisfied that the Group is able to have sufficient working capital to meet in full its financial obligations as they fall due in the foreseeable future and be able to return to a commercially viable concern. Accordingly, the Directors considered that it is appropriate to prepare the consolidated financial statements on a going concern basis.

4. APPLICATION OF NEW AND REVISED HKFRSs

In the current year, the Group has applied a number of new and revised HKFRSs issued by the HKICPA that are mandatorily effective for an accounting period that begins on or after 1 January 2015:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions

The application of these new and revised HKFRSs has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The Group has not early adopted the following new and revised HKFRSs that have been issued but not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[1]
Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exemption[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]
HKFRS 9	Financial Instruments[2]
HKFRS 14	Regulatory Deferred Accounts[1]
HKFRS 15	Revenue from Contracts with Customers[2]

1 Effective for annual periods beginning on or after 1 January 2016

2 Effective for annual periods beginning on or after 1 January 2018

3 Available for application – the mandatory effective date will be determined when the outstanding phases of amendments to HKFRS 10 and HKAS 28 are finalised

The Directors anticipate that the application of these new and revised HKFRSs will have no material impact on the Group's financial performance and positions and/or on the disclosures set out in these consolidated financial statements.

5. SEGMENT INFORMATION

Information reported to the Company's executive Directors, being the chief operating decision maker, for the purposes of resources allocation and assessment of segment performance, mainly focuses on types of goods or services delivered or provided. The Group is principally engaged in (i) the manufacture, research and development, sale and distribution of consumer cosmetics, health related and pharmaceutical products, health supplement wine, dental materials, equipment in the PRC and Hong Kong, (ii) provision of medical laboratory testing services and health check services in Hong Kong, and (iii) trading of securities in Hong Kong. The manufacture and sale of consumer cosmetics and health supplement wine, and trading of dental materials and equipment in the PRC were regarded as discontinued operation.

Segment information in respect of business segments is presented as below:

Segment turnover and results
For the year ended 31 December 2015

	Manufacture and sale of health related and pharmaceutical products	Provision of medical laboratory testing services and health check services	Trading of financial assets at FVTPL	Others	Continuing operations	Discontinued operation	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Gross proceeds – Segment turnover *(Note)*	26,718	7,384	81,566	25	115,693	85,259	200,952
Segment results	(5,907)	(1,604)	(11,555)	(1,278)	(20,344)	(6,023)	(26,367)
Other income and gains					654	713	1,367
Finance costs					(402)	(2,716)	(3,118)
Loss on disposal of assets held for sale					(986)	–	(986)
Share of profits of associates					1,055	–	1,055
Share of loss of a joint venture					(8,445)	–	(8,445)
Impairment loss recognised on goodwill					(1,000)	–	(1,000)
Unallocated corporate expenses					(30,572)	(69)	(30,641)
Loss before tax					(60,040)	(8,095)	(68,135)
Income tax credit/(expenses)					389	(14)	375
Loss for the year					(59,651)	(8,109)	(67,760)

For the year ended 31 December 2014

	Manufacture and sale of health related and pharmaceutical products	Provision of medical laboratory testing services and health check services	Trading of financial assets at FVTPL	Others	Continuing operations	Discontinued operation	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)
Gross proceeds – Segment turnover *(Note)*	70,110	–	73,206	–	143,316	70,275	213,591
Segment results	8,008	–	(39,483)	–	(31,475)	(6,060)	(37,535)
Other income and gains					889	1,057	1,946
Finance costs					(1,575)	(2,858)	(4,433)
Loss on deemed disposal of partial interest in a joint venture					(5,892)	–	(5,892)
Share of profit of a joint venture					83	–	83
Impairment loss recognised on goodwill					(8,240)	–	(8,240)
Impairment loss recognised on intangible assets					(421)	–	(421)
Unallocated corporate expenses					(27,767)	(74)	(27,841)
Loss before tax					(74,398)	(7,935)	(82,333)
Income tax expenses					(473)	(140)	(613)
Loss for the year					(74,871)	(8,075)	(82,946)

Note:

Reconciliation of total segment turnover to the Group's turnover from continuing operations:

	2015	2014
	HK$'000	*HK$'000*
		(Restated)
Gross proceeds	**115,693**	143,316
Less: Gross proceeds from trading of securities	**(81,566)**	(73,206)
Turnover	**34,127**	70,110

Segment assets and liabilities
As at 31 December 2015

	Manufacture and sale of health related and pharmaceutical products *HK$'000*	Provision of medical laboratory testing services and health check services *HK$'000*	Trading of financial assets at FVTPL *HK$'000*	Others *HK$'000*	Total *HK$'000*
Assets					
Segment assets	**55,840**	**103,376**	**96,260**	**15,804**	**271,280**
Assets classified as held for sale					**116,407**
Unallocated corporate assets					**90,331**
Total assets					**478,018**
Liabilities					
Segment liabilities	**7,032**	**9,436**	**2,805**	**124**	**19,397**
Liabilities associated with assets classified as held for sale					**98,535**
Unallocated corporate liabilities					**17,348**
Total liabilities					**135,280**

As at 31 December 2014

	Manufacture and sale of health related and pharmaceutical products	Provision of medical laboratory testing services and health check services	Trading of financial assets at FVTPL	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)
Assets					
Segment assets	66,764	–	30,197	20,894	117,855
Assets classified as held for sale					42,644
Assets relating to discontinued operation					109,893
Unallocated corporate assets					56,624
Total assets					327,016
Liabilities					
Segment liabilities	6,394	–	2,929	111	9,434
Liabilities associated with assets classified as held for sale					20,067
Liabilities relating to discontinued operation					96,595
Unallocated corporate liabilities					3,007
Total liabilities					129,103

Other segment information
For the year ended 31 December 2015

	Manufacture and sale of health related and pharmaceutical products	Provision of medical laboratory testing services and health check services	Trading of financial assets at FVTPL	Others	Continuing operations	Discontinued operation	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditures	1,735	7,473	–	59	9,267	573	9,840
Amortisation of prepaid lease payments	250	–	–	–	250	113	363
Amortisation of intangible assets	–	51	–	–	51	–	51
Depreciation of property, plant and equipment	2,492	568	–	953	4,013	1,350	5,363
Net loss on disposal of property, plant and equipment	–	3	–	–	3	47	50
Fixed assets written off	7,358	–	–	145	7,503	–	7,503
Share of profits of associates	–	–	–	(1,055)	(1,055)	–	(1,055)
Share of loss of a joint venture	–	–	–	8,445	8,445	–	8,445
Write-down of inventories	290	–	–	–	290	–	290
Impairment loss recognised on trade receivables	224	–	–	–	224	–	224

For the year ended 31 December 2014

	Manufacture and sale of health related and pharmaceutical products	Provision of medical laboratory testing services and health check services	Trading of financial assets at FVTPL	Others	Continuing operations	Discontinued operation	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)
Capital expenditures	562	–	–	1,522	2,084	679	2,763
Amortisation of prepaid lease payments	21	–	–	–	21	115	136
Depreciation of property, plant and equipment	379	–	–	571	950	1,471	2,421
Fixed assets written off	820	–	–	–	820	–	820
Share profit of a joint venture	–	–	–	(83)	(83)	–	(83)
Write-down of inventories	928	–	–	–	928	–	928

Geographical information

The Group operates in two principal geographical areas, being the PRC and Hong Kong. The segment of trading of financial assets at fair value through profit or loss ("**FVTPL**") is being carried out in Hong Kong.

The Group's turnover from external customers is set out below by the geographical location of the customers:

(a) *Turnover from external customers*

	2015	2014
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
The PRC	**22,510**	60,921
Hong Kong	**11,617**	9,189
	34,127	70,110
Discontinued operation		
The PRC	**85,259**	70,275

(b) *Specified non-current assets*

	2015	2014
	HK$'000	*HK$'000*
The PRC *(Note i)*	**51,750**	78,294
Hong Kong *(Note ii)*	**88,174**	20,016
	139,924	98,310

Notes:

(i) Non-current assets of approximately HK$19,236,000 relate to discontinued operation as at 31 December 2014.

(ii) Available-for-sale financial assets of HK$3,600,000 is not included in specified non-current assets as at 31 December 2015.

Information about major customers

There was no customer with turnover which accounted for more than 10% of the total turnover (including discontinued operation) for the years ended 31 December 2015 and 2014.

6. TURNOVER

The principal activities of the Group are (i) the manufacture, research and development, sale and distribution of consumer cosmetics, health related and pharmaceutical products, health supplement wine, dental materials, equipment in the PRC and Hong Kong, (ii) provision of medical laboratory testing services and health check services in Hong Kong and (iii) trading of securities in Hong Kong.

Gross proceeds represents the amounts received and receivable from sales of goods and provision of medical laboratory services and health check services less sales tax and discounts, if any, and sale proceeds arising from financial assets at FVTPL during the year ended 31 December 2015.

	2015	2014
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Manufacture and sale of health related and pharmaceutical products	**26,718**	70,110
Provision of medical laboratory testing services and health check services	**7,384**	–
Money lending business	**25**	–
	34,127	70,110
Gross proceeds from trading of securities *(Note)*	**81,566**	73,206
Gross proceeds	**115,693**	143,316
Discontinued operation		
Manufacture and sale of consumer cosmetics	**71,834**	53,689
Manufacture and sale of health related and pharmaceutical products	**12,800**	14,164
Manufacture and sale of health supplement wine, dental materials and equipment	**625**	2,422
	85,259	70,275

Note:

The gross proceeds from trading of securities were recorded in 'other income and gains/(losses)' after setting off the relevant cost.

7. OTHER INCOME AND GAINS/(LOSSES)

	2015	2014
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Net loss on financial assets at FVTPL	**(9,094)**	(36,916)
Interest income	**265**	172
Rental income	**–**	180
Sundry income	**292**	504
Dividend income	**97**	33
Net loss on disposal of property, plant and equipment	**(3)**	–
Fixed assets written off	**(7,503)**	(820)
	(15,946)	(36,847)
Discontinued operation		
Interest income	**60**	36
Sundry income	**653**	1,021
Net loss on disposal of property, plant and equipment	**(47)**	–
	666	1,057

Net loss on financial assets at FVTPL consists of net unrealised gain on fair value changes of approximately HK$10,748,000 (2014: net unrealised loss on fair value changes of approximately HK$2,921,000) and net realised loss of approximately HK$19,842,000 (2014: HK$33,995,000) for the year ended 31 December 2015.

8. FINANCE COSTS

	2015	2014
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Interest expenses:		
– Other borrowings	**402**	1,575
Discontinued operation		
Interest expenses:		
– Bank borrowings	**1,414**	1,466
– Other borrowings	**1,302**	1,392
	2,716	2,858

9. LOSS BEFORE TAX

Loss before tax has been arrived at after charging:

	2015 *HK$'000*	2014 *HK$'000* (Restated)
Continuing operations		
Staff costs (including Directors' emoluments):		
– Salaries, bonuses and other benefits	**17,062**	14,136
– Share-based payment expenses	**–**	3,385
– Retirement benefits scheme contributions	**996**	642
	18,058	18,163
Amortisation of prepaid lease payments	**250**	21
Amortisation of intangible assets	**51**	–
Auditor's remuneration	**1,250**	695
Cost of inventories sold	**20,243**	43,137
Depreciation of property, plant and equipment	**4,013**	950
Impairment loss recognised on trade receivables	**224**	–
Write-down of inventories	**290**	928
Minimum lease payments under operating leases:		
– Office premises, warehouses and staff quarters	**2,651**	2,303
Discontinued operation		
Staff costs:		
– Salaries, bonuses and other benefits	**6,419**	5,880
– Retirement benefits scheme contributions	**1,767**	1,578
	8,186	7,458
Amortisation of prepaid lease payments	**113**	115
Auditor's remuneration	**12**	10
Cost of inventories sold	**62,575**	43,229
Depreciation of property, plant and equipment	**1,350**	1,471
Minimum lease payments under operating leases:		
– Office premises, warehouses and staff quarters	**359**	349

10. INCOME TAX (CREDIT)/EXPENSES

	2015	2014
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
The amount comprises:		
Current tax		
– The PRC Enterprise Income Tax	**–**	590
– Hong Kong Profits Tax	**(381)**	–
	(381)	590
Deferred tax:		
– Current year	**(8)**	(117)
	(389)	473
Discontinued operation		
The amount comprises:		
Current tax		
– The PRC Enterprise Income Tax	**14**	140

Hong Kong Profits Tax is calculated at the tax rate of 16.5% (2014: 16.5%) of the estimated assessable profits arising in Hong Kong during the year ended 31 December 2015.

The subsidiaries in the PRC are subject to the PRC Enterprise Income Tax at the tax rate of 25% (2014: 25%), except for a subsidiary, Shu Mei Da, which is accredited with high and new technology enterprise status and thus enjoys a preferential tax rate of 15% (2014: 15%).

Pursuant to the rules and regulations of Bermuda, the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax expenses in the respective tax jurisdictions.

11. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2015, nor has any dividend been proposed since the end of the reporting period (2014: HK$Nil).

12. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the years ended 31 December 2015 and 2014.

Continuing and discontinued operations

	2015	2014 (Restated)
Loss for the year attributable to owners of the Company (HK$'000)	**(62,269)**	(82,929)
Weighted average number of ordinary shares in issue ('000)	**294,070**	85,471
Basic loss per share (HK$)	**(0.212)**	(0.970)

Continuing operations

	2015	2014 (Restated)
Loss for the year attributable to owners of the Company (HK$'000)	**(62,269)**	(82,929)
Less: Loss for the year attributable to owners of the Company from discontinued operation (HK$'000)	**(8,109)**	(8,075)
Loss for the year attributable to owners of the Company from continuing operations (HK$'000)	**(54,160)**	(74,854)
Weighted average number of ordinary shares in issue ('000)	**294,070**	85,471
Basic loss per share (HK$)	**(0.184)**	(0.876)

Discontinued operation

	2015	2014 (Restated)
Loss for the year attributable to owners of the Company from discontinued operation (HK$'000)	**(8,109)**	(8,075)
Weighted average number of ordinary shares in issue ('000)	**294,070**	85,471
Basic loss per share (HK$)	**(0.028)**	(0.094)

Weighted average number of ordinary shares ('000)

	2015	2014 (Restated)
Issued ordinary shares at 1 January	**100,562**	31,442
Effect of shares issued under placing on 25 February 2014	**–**	20,808
Effect of shares issued under placing on 11 July 2014	**–**	5,291
Effect of rights issue on 20 October 2014	**–**	9,789
Effect of shares issued under subscription on 23 January 2015	**24,227**	–
Effect of rights issue on 18 September 2015	**169,212**	18,141
Effect of shares issued under placing on 31 December 2015	**69**	–
Weighted average number of ordinary shares at 31 December	**294,070**	85,471

The weighted average number of shares for the purpose of calculating the basic loss per share has been retrospectively adjusted for the years ended 31 December 2015 and 2014 to reflect the impact of the 2015 Share Consolidation (as defined in section headed "CAPITAL STRUCTURE"), the 2015 Rights Issue (as defined in section headed "CAPITAL STRUCTURE") and the 2016 Share Consolidation (as defined in section headed "EVENTS AFTER THE REPORTING PERIOD"), which became effective on 1 April 2015, 18 September 2015 and 23 February 2016, respectively.

The weighted average number of shares for the purpose of calculating the basic loss per share for the year ended 31 December 2014 has also been restated on a retrospective basis for the rights issue, the completion of which took place on 20 October 2014.

No diluted loss per share has been presented for the years ended 31 December 2015 and 2014 as there was no dilutive potential ordinary share outstanding during the years.

13. TRADE AND BILLS RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
Trade and bills receivables	**22,645**	28,475
Less: Allowance for bad and doubtful debts	**(116)**	(407)
	22,529	28,068

The Group has a policy of allowing an average credit period of 90 days to its trade customers. The following is an aged analysis of trade and bills receivables net of allowance at the end of the reporting period:

	2015	2014
	HK$'000	*HK$'000*
0 to 90 days	**14,368**	17,599
91 to 180 days	**1,691**	3,815
181 to 365 days	**2,526**	4,588
Over 365 days	**3,944**	2,066
	22,529	28,068

Ageing analysis of trade and bills receivables past due but not impaired:

	2015	2014
	HK$'000	*HK$'000*
Less than 90 days past due	**1,691**	3,815
91 to 275 days past due	**2,526**	4,588
Over 275 days past due	**3,944**	2,066
	8,161	10,469

Trade and bills receivables that were past due but not impaired related to customers that had a good repayment record with the Group. Based on past experience, the Directors believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

14. TRADE AND BILLS PAYABLES

	2015	2014
	HK$'000	*HK$'000*
Trade payables	**4,270**	18,513
Bills payables	**–**	2,535
	4,270	21,048

The following is an aged analysis of trade and bills payables at the end of the reporting period:

	2015	2014
	HK$'000	*HK$'000*
0 to 90 days	**2,591**	10,320
91 to 180 days	**1,224**	4,271
181 to 365 days	**443**	2,802
Over 365 days	**12**	3,655
	4,270	21,048

15. ACQUISITION OF SUBSIDIARIES

(a) On 28 May 2015, the Company entered into a memorandum of understanding with Deep Value Financing Fund ("**Deep Value**") in relation to the proposed acquisition from Deep Value of a group of companies which are principally engaged in the provision of medical laboratory testing services and health check services in Hong Kong. Subsequently, on 18 September 2015, Fair Brilliant Group Limited ("**Fair Brilliant**"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Deep Value, pursuant to which Fair Brilliant has conditionally agreed to purchase, and Deep Value has conditionally agreed to sell (i) 100% of the issued share capital of the DVF Group and (ii) the loan then owing by a subsidiary of DVF to Deep Value, at a cash consideration of HK$103,000,000 ("**DVF Acquisition**"). The completion of the DVF Acquisition took place on 16 December 2015. Details of the DVF Acquisition are disclosed in the announcements of the Company dated 28 May 2015, 18 September 2015 and 16 December 2015, and the circular of the Company dated 25 November 2015.

Acquisition-related costs amounting to approximately HK$1,315,000 was excluded from the cost of acquisition and recognised as an expense within the administrative expenses in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2015.

(b) On 18 September 2015, Fair Brilliant entered into a sale and purchase agreement with Mr. Ng Kam Cheung Stephen and Ms. Foo Wye Chan Marie as the vendors, pursuant to which Fair Brilliant has conditionally agreed to purchase, and the vendors have conditionally agreed to sell (i) the entire issued share capital of a diagnostic testing services laboratory ("**AMDL**") and (ii) the aggregate loans then owing by AMDL to the vendors, at a cash consideration of approximately HK$1,874,000 ("**AMDL Acquisition**"). AMDL is principally engaged in the provision of medical diagnostic services in Hong Kong. The completion of AMDL Acquisition took place on 2 October 2015. Details of the AMDL Acquisition are disclosed in the announcement of the Company dated 18 September 2015.

Acquisition-related costs amounting to approximately HK$255,000 was excluded from the cost of acquisition and recognised as an expense within the administrative expenses in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2015.

	The DVF Group	AMDL	Total
	HK$'000	*HK$'000*	*HK$'000*
Assets acquired and liabilities recognised at the date of acquisition are as follows:			
Property, plant and equipment	2,456	23	2,479
Intangible assets	47,162	–	47,162
Inventories	1,690	164	1,854
Trade receivables	13,725	917	14,642
Deposits, prepayments and other receivables	1,807	219	2,026
Cash and cash equivalents	17,226	430	17,656
Trade payables	(1,306)	(386)	(1,692)
Other payables and accruals	(92,631)	(1,039)	(93,670)
Tax payable	(970)	(31)	(1,001)
Deferred tax liabilities	(2,020)	–	(2,020)
Net (liabilities)/assets	(12,861)	297	(12,564)
Goodwill arising on acquisition:			
Consideration	103,000	1,874	104,874
Less: Assignment of debts	(88,622)	(883)	(89,505)
Net liabilities/(assets) acquired	12,861	(297)	12,564
Goodwill arising on acquisition	27,239	694	27,933
Net cash outflow arising on acquisition:			
Consideration paid in cash	(103,000)	(1,874)	(104,874)
Cash and cash equivalents acquired	17,226	430	17,656
	(85,774)	(1,444)	(87,218)

Impact of acquisitions on the results of the Group

The DVF Group and AMDL contributed turnover of approximately HK$5,646,000 and HK$1,728,000 respectively, and net profit of approximately of HK$876,000 and HK$180,000 respectively to the Group for the period from the relevant acquisition dates to 31 December 2015.

If the acquisitions of the DVF Group and AMDL had been completed on 1 January 2015, the DVF Group and AMDL would have contributed turnover of approximately HK$60,490,000 and HK$6,645,000 respectively, and net profit of approximately of HK$10,881,000 and HK$434,000 respectively to the Group for the year ended 31 December 2015.

The unaudited pro-forma financial information set out above is for illustrative purpose only on the effect of the acquisitions of the DVF Group and AMDL having been completed at the beginning of the year ended 31 December 2015. The unaudited pro-forma financial information set out above is not necessarily an indication of turnover and results of the continuing operations of the Group nor is it intended to be a projection of future results.

16. DISCONTINUED OPERATION/ASSETS HELD FOR SALE

	2015	2014
	HK$'000	*HK$'000*
Assets classified as held for sale		
The Wallfaith Group *(Note a)*	**102,899**	–
Allied View *(Note b)*	**13,508**	–
The Magical Bloom Group *(Note c)*	**–**	42,644
	116,407	42,644

	2015	2014
	HK$'000	*HK$'000*
Liabilities associated with assets classified as held for sale		
The Wallfaith Group *(Note a)*	**98,535**	–
Allied View *(Note b)*	**–**	–
The Magical Bloom Group *(Note c)*	**–**	20,067
	98,535	20,067

Notes:

(a) The Wallfaith Group

On 17 December 2015, the Company entered into a sale and purchase agreement with Mr. Yang Shunfeng, a director of certain subsidiaries of Wallfaith Company Limited ("**Wallfaith**"), to dispose of 100% of the equity interests in Wallfaith and its subsidiaries, Smiston Technology Limited, Suzhou Longlifu Health Food Co., Ltd., 蘇州朗力福商貿有限公司 (in English, for identification purpose only, Suzhou Longlifu Trading Co., Ltd.), Suzhou Beautiful Biochemistry Co., Ltd., 蘇州朗力福醫療器械有限公司 (in English, for identification purpose only, Suzhou Longlife Medical Devices Co., Ltd.) and 蘇州安德森醫療器械有限公司 (in English, for identification purpose only, Suzhou Anderson Medical Devices Co., Ltd.) (collectively, the "**Wallfaith Group**"). The total cash consideration for the sale of the entire issued share capital of the Wallfaith Group amounted to HK$15,000,000. Completion of the disposal of the Wallfaith Group took place on 16 March 2016. Details of the disposal of the Wallfaith Group are disclosed in the announcement of the Company dated 17 December 2015 and the circular of the Company dated 15 January 2016. The manufacture and sale of consumer cosmetics and health supplement wine, and trading of dental materials and equipment in the PRC were regarded as discontinued operation of the Group.

The loss for the year from discontinued operation relating to the Wallfaith Group is analysed as follows:

	2015	2014
	HK$'000	*HK$'000*
Turnover	**85,259**	70,275
Cost of sales	**(62,575)**	(43,229)
Gross profit	**22,684**	27,046
Other income and gains	**666**	1,057
Selling and distribution expenses	**(21,342)**	(24,065)
Administrative expenses	**(7,387)**	(9,115)
Loss from operation	**(5,379)**	(5,077)
Finance costs	**(2,716)**	(2,858)
Loss before tax	**(8,095)**	(7,935)
Income tax expenses	**(14)**	(140)
Loss for the year	**(8,109)**	(8,075)

Cash flows for the year from the Wallfaith Group were as follows:

	2015	2014
	HK$'000	*HK$'000*
Net cash (outflow)/inflow from operating activities	**(3,354)**	5,244
Net cash outflow from investing activities	**(413)**	(438)
Net cash outflow from financing activities	**(181)**	(5,659)
Net cash outflow	**(3,948)**	(853)

The major classes of assets and liabilities classified as held for sale of the Wallfaith Group as at 31 December 2015 which have been presented separately in the consolidated statement of financial position, are as follows:

	The Wallfaith Group
	HK$'000
Property, plant and equipment	13,242
Prepaid lease payments	4,214
Inventories	59,886
Trade and bills receivables	16,105
Deposits, prepayments and other receivables	6,411
Tax recoverable	38
Cash and cash equivalents	3,003
Assets classified as held for sale	102,899
Trade payables	22,314
Other payables and accruals *(Note)*	58,317
Bank borrowings	17,904
Liabilities associated with assets classified as held for sale	98,535
Net assets classified as held for sale	4,364

Note:

Excluded in other payables and accruals is the balance owed by the Wallfaith Group to the Company of approximately HK$41,767,000 as at 31 December 2015, which the Company has undertaken to Mr. Yang Shunfeng to effect the completion of the capitalisation of such sum for the allotment and issue, credited as fully paid, of one share of Wallfaith by Wallfaith to the Company before completion which took place on 16 March 2016.

(b) Allied View International Limited ("Allied View")

On 28 January 2016, Dynasty Well Limited ("**Dynasty**") entered into a sale and purchase agreement with an independent third party, Mr. Jiang Lin ("**Mr. Jiang**"), to dispose of the entire issued share capital in Allied View and the entire sum owing by Allied View to the Company ("**Sale Loan**") at a cash consideration of HK$13,600,000. The completion of the disposal took place on the same day, and Allied View ceased to be a wholly-owned subsidiary of the Company since then and the Group has ceased to hold any equity interest in each of Allied View, Trillion Epoch Limited ("**Trillion Epoch**"), Bravo Star Holdings Limited ("**Bravo Star**") and 重慶市北部新區利亨小額貸款有限公司(in English, for identification purpose only, Chongqing City North New District Li Hang Microfinance Co., Ltd.) ("**Chongqing Microfinance**"). Details of the disposal of Allied View are disclosed in the announcements of the Company dated 28 January 2016 and 26 February 2016.

The major classes of assets and liabilities classified as held for sale of Allied View as at 31 December 2015 which have been presented separately in the consolidated statement of financial position, are as follows:

	Allied View
	HK$'000
Investment in a joint venture	13,508
Assets classified as held for sale	13,508
Other payable *(Note)*	–
Liabilities associated with assets classified as held for sale	–
Net assets classified as held for sale	13,508

Note:

Excluded in other payables and accruals is the balance owed by Allied View to the Company of approximately HK$29,027,000 as at 31 December 2015, which Dynasty had assigned to Mr. Jiang as part of the Sale Loan. As at the date of completion on 28 January 2016, the Sale Loan amounted to HK$29,030,520.

(c) The Magical Bloom Group

On 31 December 2014, Icy Snow Limited, a direct wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with four independent third parties to dispose of 70% of the equity interests in Magical Bloom Limited, together with its subsidiaries, Longlife Group Holdings Limited and 廣州獅馬龍藥業有限公司 (in English, for identification purpose only, Guangzhou Shimalong Pharmaceutical Co., Ltd.) (formerly known as 廣州瑩潤藥業有限公司 (in English, for identification purpose only, Guangzhou Yingrun Pharmaceutical Co., Ltd.)) ("**Shimalong**") (collectively, the "**Magical Bloom Group**") at an aggregate cash consideration of HK$12,600,000. The completion of the disposal took place on 30 January 2015 and each member of the Magical Bloom Group ceased to be a subsidiary of the Company and became associates of the Company since then.

The revenue generated by the Magical Bloom Group was mainly derived from the sale of medicated oil products which were launched in the mid of 2014. Taking into account the keen competition in the sales of medicated oil products in the PRC and the Group's intention to allocate more resources to the manufacturing of the pharmaceutical products in the PRC and other investments when opportunities arise, the Group disposed of 70% of the equity interests in the Magical Bloom Group. Details of the disposal of the Magical Bloom Group are disclosed in the announcement of the Company dated 31 December 2014.

The major classes of assets and liabilities classified as held for sale of the Magical Bloom Group as at 31 December 2014 which have been presented separately in the consolidated statement of financial position, are as follows:

	The Magical Bloom Group *HK$'000*
Property, plant and equipment	190
Goodwill	16,199
Inventories	11,517
Trade and bills receivables	7,721
Deposits, prepayments and other receivables	3,404
Cash and cash equivalents	3,613
Assets classified as held for sale	42,644
Trade payables	13,557
Other payables and accruals	5,918
Tax payable	592
Liabilities associated with assets classified as held for sale	20,067
Net assets classified as held for sale	22,577

The analysis of the net assets classified as held for sale of the Magical Bloom Group at the date when the Group ceased to have control (i.e. 30 January 2015, being the completion date of the disposal of the Magical Bloom Group) were as follows:

	The Magical Bloom Group
	HK$'000
Property, plant and equipment	183
Goodwill	16,199
Inventories	12,487
Trade and bills receivables	5,383
Deposits, prepayments and other receivables	3,147
Cash and cash equivalents	3,645
Assets classified as held for sale	41,044
Trade payables	13,045
Other payables and accruals	8,610
Liabilities associated with assets classified as held for sale	21,655
Net assets classified as held for sale	19,389
Loss on disposal of assets held for sale:	
Cash consideration received	12,600
Fair value of 30% equity interests retained	5,817
Release of exchange difference upon disposal	(14)
Less: Net assets disposed of	(19,389)
	(986)
Net cash inflow arising on disposal:	
Consideration received in cash	12,600
Cash and cash equivalents disposed	(3,645)
	8,955

17. CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES WITHOUT LOSS OF CONTROL

On 18 September 2015, Fair Brilliant entered into a subscription deed with an independent third party, pursuant to which Fair Brilliant has conditionally agreed to issue and allot, and the independent third party has conditionally agreed to purchase, three new shares of Fair Brilliant, representing 3% equity interests in Fair Brilliant, at a total subscription price of HK$3,138,000 ("**FB Subscription**"). The completion of FB Subscription took place on 16 December 2015, and the Group's equity interests in Fair Brilliant are diluted from 100% to 97%. An amount of approximately HK$16,000 (being the proportionate share of the then carrying amount of the net assets of Fair Brilliant) has been transferred and debited to non-controlling interests. The difference of approximately HK$3,154,000 between the increase in the non-controlling interests and the consideration received has been credited to other reserve.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

During the year ended 31 December 2015 ("**2015 Year**"), the principal activities of Group are (i) manufacture, research and development, sale and distribution of consumer cosmetics, health related and pharmaceutical products, health supplement wine, dental materials and equipment in the PRC and Hong Kong, (ii) provision of medical laboratory testing services and health check services in Hong Kong, and (iii) trading of securities in Hong Kong.

Discontinued operation

On 17 December 2015, the Company entered into a sale and purchase agreement to dispose of 100% of the equity interests in the Wallfaith Group. The manufacture and sale of consumer cosmetics and health supplement wine, and trading of dental materials and equipment in the PRC were regarded as discontinued operation.

During the 2015 Year, the Group achieved a turnover of approximately HK$85,259,000 (year ended 31 December 2014 ("**2014 Year**"): HK$70,275,000) from discontinued operation, which is mainly attributable to the manufacture and sale of consumer cosmetics segment. Despite the consumer cosmetics segment continued to encounter challenging market conditions during the 2015 Year and the receding performance of some consumer cosmetics, which have become less competitive and being phased out in the PRC market, the total revenue increased steadily from approximately HK$53,689,000 for the 2014 Year to approximately HK$71,834,000 for the 2015 Year mainly due to the steady improvement in export of consumer cosmetics business by one of the subsidiaries of the Company in Suzhou.

The Group continued to record a loss from discontinued operation of approximately HK$8,109,000, as compared with approximately HK$8,075,000 from discontinued operation for the 2014 Year. Such loss was mainly attributable to the increasing pressure on the cost of sales, including labour costs and raw materials costs, and the decrease in the selling price for certain products due to fierce competition in the PRC, which have led a decrease in the gross profit margin notwithstanding there was an increase in turnover.

Turnover

During the 2015 Year, the Group achieved a turnover of approximately HK$34,127,000 (2014 Year: HK$70,110,000) from continuing operations, representing a significant decrease of 51.32% as compared with the turnover for the 2014 Year. Despite the fact that such decrease was partially offset by the contribution made by Shu Mei Da, the subsidiary acquired by the Group in November 2014 as its full period turnover had been recognised in the 2015 Year, the overall decrease in the turnover was mainly due to the deconsolidation of the results of Shimalong on 30 January 2015 ("**Deconsolidation**"), as a result of the disposal of 70% of the issued share capital of Magical Bloom Limited as described in the paragraph headed "Disposal of assets held for sale" above. Shimalong is principally engaged in the sale of medicated oil products and the Deconsolidation has caused a decrease in turnover of the Group.

Manufacture and sale of health related and pharmaceutical products

Health related and pharmaceutical products segment recorded a significant reduction in total turnover during the 2015 Year. The total turnover of this segment significantly decreased from approximately HK$70,110,000 for the 2014 Year to approximately HK$26,718,000 for the 2015 Year from continuing operations mainly due to the Deconsolidation, which led to a decrease in sales of medicated oil products including CMALO Wood Lock Oil, CMALO Red Flower Oil and Strong Haling Oil in the PRC (excluding Hong Kong and Macau) by Shimalong, a then subsidiary of the Company, despite the fact that such decrease was partially offset by the contribution of 薑黃消痤搽劑 (in English, for identification purpose only, Jianghuang Xiaocuo Chaiji), the main product of Shu Mei Da. As Shimalong had become an associate from a subsidiary since 30 January 2015, only one month of turnover of Shimalong was recognised in the 2015 Year. On the other hand, Shu Mei Da was acquired by the Group in November 2014, the turnover of Shu Mei Da for the 2015 Year was fully recognised in the 2015 Year.

Provision of medical laboratory testing services and health check services

Having completed the AMDL Acquisition and the DVF Acquisition as described in the paragraph headed "Acquisition of subsidiaries" under note 15 to the consolidated financial statements above on 2 October 2015 and 16 December 2015 respectively, and the establishment of a molecular laboratory as described in the paragraph headed "Extension of business activities in other healthcare related segments" below, the Group has established a foothold in the provision of medical laboratory testing and health check services industry and the total revenue of the such business was approximately HK$7,384,000 during the 2015 Year (from the respective dates of completion of the AMDL Acquisition, completion of the DVF Acquisition and commencement of business of the molecular laboratory to 31 December 2015).

Trading of financial assets at FVTPL

The Group's investment portfolio comprises investments in listed securities in Hong Kong and Australia. While such business segment continued to record a net loss on financial assets at FVTPL during the 2015 Year, the Group has managed to reduce its loss to approximately HK$9,094,000 (2014 Year: HK$36,916,000). The Directors attributed such reduction in loss in this segment to the revamping the Group's investment strategies in securities trading business by investing in listed securities with potential returns.

The Board will remain cautious in the allocation of internal resources and in the identification and seizure of appropriate securities investment opportunities with a view to generating gains for the securities trading business of the Group.

Gross profit and gross profit margin

The gross profit in the 2015 Year of approximately HK$9,630,000 dropped significantly when compared with that of approximately HK$25,891,000 in the 2014 Year. The gross profit margin for the 2015 Year from continuing operations was approximately 28.22%, representing a decrease by approximately 8.71 percentage point when compared with the gross profit margin of approximately 36.93% for the 2014 Year. The decrease in the gross profit and gross profit margin were mainly due to (i) the increase in the cost of sales, including labour costs and raw materials costs and (ii) the decrease in the selling price for certain products due to fierce competition in the PRC and Hong Kong.

Selling and distribution expenses

Selling and distribution expenses for the 2015 Year from continuing operations were approximately HK$6,266,000, representing a decrease of approximately HK$1,251,000 or 16.64% compared with such expenses for the 2014 Year. Such decrease was mainly attributable to (i) less transportation costs were incurred in the distribution and sale of medicated oil products by Shimalong as a result of the Deconsolidation; and (ii) and fewer new products were launched by the subsidiaries in Hong Kong and Guizhou during the 2015 Year leading to downsizing of its promotion and sales team and reduced number of marketing campaigns in Hong Kong and Guizhou.

Administrative expenses

The administrative expenses for the 2015 Year from continuing operations were approximately HK$37,680,000, representing a decrease of approximately 5.52%, as compared with that of approximately HK$39,880,000 for the 2014 Year. The slight decrease of such administrative expenses was mainly due to the fact that the Group incurred less research and development costs of approximately HK$2.4 million (2014 Year: HK$3.6 million) and less staff costs of approximately HK$14.1 million (2014 Year: HK$16.7 million) in the 2015 Year as a result of effective cost control measures and the absence of one-off share-based payment expenses of approximately HK$3.4 million recorded by the Group for the 2014 Year, despite the slight decrease was partially offset by more depreciation expense charged by property, plant and equipment of approximately HK$1.5 million (2014: HK$0.7 million) and more legal and professional fees of HK$4.8 million (2014: HK$4.1 million) incurred in the 2015 Year.

Loss for the 2015 Year

The Group recorded a net loss from continuing operations of approximately HK$59,651,000 for the 2015 Year (2014 Year: HK$74,871,000). The decrease in net loss of the Group for the 2015 Year was mainly due to (i) the decrease in net loss on financial assets at FVTPL of approximately HK$9.1 million for the 2015 Year as compared with that of approximately HK$36.9 million during the 2014 Year; (ii) share of profits of associates of approximately HK$1.1 million which was absent in the 2014 Year; (iii) the decrease of impairment loss on goodwill in respect of its certain subsidiaries of approximately HK$1.0 million as compared with impairment loss of HK$8.2 million as recognised during the 2014 Year; and (iv) the absence of one-off loss on deemed disposal of partial interest in a joint venture of approximately HK$5.9 million as recorded during the 2014 Year. In spite of the slight improvement in business performance of the Group for the 2015 Year as described, such improvement was partially offset by (i) the write-off of certain property, plant and equipment of approximately HK$7.5 million for the 2015 Year (2014 Year: HK$0.8 million); (ii) the increasing pressure on the cost of sales, including labour costs and raw materials costs, and the decrease in the selling price for certain products due to fierce competition in the PRC, which have led a decrease in the gross profit margin; and (iii) share of loss of a joint venture of approximately HK$8.4 million.

Profit guarantee relating to the Icy Snow Group

On 10 May 2013, the Company completed the acquisition of (i) the 100% equity interests in Icy Snow Limited and its subsidiaries, V-Express Pharmaceutical Limited and Shimalong (collectively, "**Icy Snow Group**") and (ii) all the shareholder's loans owing by such companies to the vendor at an aggregate consideration of HK$45,600,000.

Pursuant to the sale and purchase agreement dated 7 March 2013 entered into between the vendor and the Company ("**Icy Snow SPA**"), the vendor has irrevocably and unconditionally guaranteed to the Company that the unaudited consolidated net profit after taxation of the Icy Snow Group for the year ended 31 December 2013, 31 December 2014 and 31 December 2015 shall in aggregate be not less than HK$12,000,000 ("**Guaranteed Accumulated Profits**"). If the Guaranteed Accumulated Profits are not met, the vendor shall pay to the Company a shortfall compensation which shall be equal to 11 times of the difference between the Guaranteed Accumulated Profits and the actual aggregate audited consolidated net profit of Icy Snow Limited after taxation for the three years ended 31 December 2015 ("**Accumulated Actual Net Profits**"). In the event that the unaudited consolidated net profit after taxation of the Icy Snow Group for the three years ended 31 December 2015 are equal to or more than HK$24,000,000, the Company shall pay to the vendor a sum of HK$3,000,000 in cash as bonus payment. Details of the acquisition of the Icy Snow Group are set out in the announcements of the Company dated 7 March 2013, 10 May 2013 and 17 June 2013.

The unaudited consolidated net profit after taxation of the Icy Snow Group for the three years ended 31 December 2015 was approximately HK$16,423,000. As the Guaranteed Accumulated Profits were met, no compensation was required to be paid by the vendor to the Company and as the Accumulated Actual Net Profits were not equal to or more than HK$24,000,000, no bonus payment was required to be made to the vendor by the Company.

CAPITAL STRUCTURE

The Group generally finances its operations with internal generated resources and proceeds raised from issue of new shares of the Company. As at 31 December 2015, the total issued share capital of the Company was HK$65,698,675 divided into 1,313,973,500 ordinary shares of HK$0.05 each.

Issue of new shares under specific mandate

On 14 November 2014, the Company and China Wah Yan Healthcare Limited ("**Wah Yan Health**") (formerly known as China Renji Medical Group Limited), the shares of which are listed on the Main Board of the Stock Exchange (Stock code: 648), entered into the subscription agreement pursuant to which Wah Yan Health conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, 257,812,500 subscription shares ("**WY Subscription Shares**") at the subscription price of HK$0.128 per WY Subscription Share ("**WY Subscription**"). The completion of the WY Subscription took place on 23 January 2015. The net proceeds after deduction of expenses from the WY Subscription was approximately HK$32.7 million ("**Subscription Proceeds**").

Out of the Subscription Proceeds, (i) approximately HK$3.60 million had been invested in a fund investments in pharmaceutical and health related industries; (ii) approximately HK$5.29 million (including HK$4.83 million as consideration and HK$0.46 million as related legal and professional fees) had been invested in New Health Elite International Limited ("**New Health**") to diversify the business and revenue sources of the Group into the provision of health management and well-being services; and (iii) as at 31 December 2015, the remaining net proceeds of approximately HK$23.81 million had not been utilised and remained in the bank and will be used for funding potential acquisitions of equity interests in companies that are principally engaged in (a) the provision of DNA diagnostic testing services; (b) the sale and manufacture of personal care products; and (c) online platform for trading and sale of health related and pharmaceutical products in the PRC ("**Possible Acquisition Projects**"). The net issue price per WY Subscription Share was approximately HK$0.127 and the nominal value of the WY Subscription Shares was HK$2,578,125. Details of the WY Subscription are disclosed in the announcements of the Company dated 14 November 2014 and 23 January 2015, and the circular of the Company dated 24 December 2014.

On 28 January 2016, approximately HK$5.82 million from the Subscription Proceeds was utilised as intended for funding the partial consideration for the acquisition of Ultimate Synergy Limited and its subsidiaries. In addition, on 28 January 2016, the Board has resolved to allocate the remaining unused Subscription Proceeds of approximately HK$17.99 million for investments in securities as part of the Group's ordinary course of business, details of which are disclosed in the announcement of the Company dated 28 January 2016. As at the date of this announcement, all of the Subscription Proceeds had been used.

Share consolidation

On 5 March 2015, the Board proposed, subject to passing the necessary shareholders' resolution, that every 5 existing shares of HK$0.01 each in the issued and unissued share capital of the Company would be consolidated into 1 share of HK$0.05 in the issued and unissued share capital of the Company ("**2015 Share Consolidation**"). As a result of the 2015 Share Consolidation, the authorised share capital of the Company became HK$200,000,000 divided into 4,000,000,000 consolidated shares of HK$0.05 each, of which 252,687,300 consolidated shares were in issue immediately following the Share Consolidation becoming effective.

The resolution approving the 2015 Share Consolidation was duly passed as an ordinary resolution of the Company by the shareholders of the Company at the special general meeting held on 31 March 2015. The 2015 Share Consolidation became effective on 1 April 2015. For details, please refer to the announcements of the Company dated 5 March 2015 and 31 March 2015, and the circular of the Company dated 13 March 2015.

Rights issue

On 10 July 2015, the Company announced to raise not less than approximately HK$181.9 million and not more than approximately HK$189.1 million before expenses on the basis of four rights shares ("**Rights Shares**") for every one existing share in issue held on the record date at the subscription price of HK$0.18 per Rights Share by way of rights issue of not less than 1,010,749,200 Rights Shares and not more than 1,050,378,296 Rights Shares ("**2015 Rights Issue**"). The subscription price of HK$0.18 per Rights Share represented (i) a discount of approximately 38.98% to the closing price of HK$0.295 per share as quoted on the Stock Exchange on 10 July 2015; (ii) a discount of approximately 36.80% to the average closing price of approximately HK$0.2848 per share for the five consecutive trading days prior to 10 July 2015; (iii) a discount of approximately 47.28% to the average closing price of approximately HK$0.3414 per share for the ten consecutive trading days prior to 10 July 2015; and (iv) a discount of approximately 11.33% to the theoretical ex-rights price of approximately HK$0.203 per share based on the closing price of HK$0.295 per share as quoted on the Stock Exchange on 10 July 2015.

A total of 1,010,749,200 Rights Shares were alloted and issued under the 2015 Rights Issue on 18 September 2015. The net proceeds after deduction of expenses from the 2015 Rights Issue were approximately HK$175.0 million. The Company intended to use (i) approximately HK$115.0 million for the extension of business in the healthcare related segments including the provision of molecular testing and medical diagnostic testing services which include (a) approximately HK$100.0 million for the DVF Acquisition; and (b) approximately HK$15.0 million for setting up a molecular genetic testing laboratory in Hong Kong; (ii) approximately HK$24.0 million for funding the Possible Acquisition Projects; (iii) approximately HK$20.0 million for new money lending business; and (iv) approximately HK$16.0 million for general working capital of the Group. The net proceeds of approximately HK$130.67 million had been utilised as intended. As at 31 December 2015, the remaining net proceeds of approximately

HK$44.33 million, including (i) approximately HK$2.55 million for setting up a molecular genetic testing laboratory in Hong Kong; (ii) approximately HK$22.13 million for funding the Possible Acquisition Projects; (iii) HK$14 million for new money lending business; and (iv) approximately HK$5.65 million for general working capital of the Group ("**Unused Rights Issue Proceeds**"), which have not yet been utilised and remained in the bank for intended use as at 31 December 2015. Details of the 2015 Rights Issue are disclosed in the announcements of the Company dated 11 June 2015, 10 July 2015 and 17 September 2015, the circular of the Company dated 27 July 2015, and the prospectus dated 26 August 2015.

On 28 January 2016, the Company allocated approximately HK$22.13 million from the Unused Rights Issue Proceeds which was utilised as intended for funding the partial consideration for the acquisition of Ultimate Synergy Limited and its subsidiaries, details of which are disclosed in the announcement of the Company dated 28 January 2016.

As at the date of this announcement, the remaining net proceeds from the 2015 Rights Issue of approximately HK$5.25 million have not been utilised and remained in the bank for intended use, including (i) approximately HK$1.65 million for setting up a molecular genetic testing laboratory in Hong Kong and (ii) HK$3.6 million for new money lending business.

Placing of new shares under general mandate

On 21 December 2015, the Company and Convoy Securities Limited ("**Convoy**") entered into a placing agreement ("**Placing Agreement**"), pursuant to which Convoy has conditionally agreed to procure, as placing agent of the Company, not less than six placees, to subscribe, failing which, Convoy itself would subscribe for 50,537,000 ordinary shares ("**Placing Shares**") at a price of HK$0.10 per Placing Share ("**Placing**"), which represented (i) discount of approximately 6.54% to the closing price of HK$0.107 per Share as quoted on the Stock Exchange on the date of the Placing Agreement; and (ii) discount of approximately 5.66% to the average closing price of approximately HK$0.106 per share as quoted on the Stock Exchange for the five consecutive trading days of the shares immediately prior to the date of the Placing Agreement. The net proceeds after deduction of expenses from the Placing were approximately HK$4.76 million, which would be utilised for general working capital of the Group. The net issue price was approximately HK$0.09 per Placing Share and the aggregate nominal value of the Placing Shares under the Placing was HK$2,526,850. The completion of the Placing took place on 31 December 2015. Details of the Placing are disclosed in the announcements of the Company dated 21 December 2015 and 31 December 2015. As at the date of this announcement, approximately HK$3.76 million out of the net proceeds had been used as intended for general working capital (including but not limited to staff costs and professional fees) and the remaining net proceeds of approximately HK$1 million have not been utilised and remained in the bank for intended use.

The Directors are of the view that the Placing represents a good opportunity for the Company to broaden its shareholders' base and raise additional funds at a reasonable cost. Taking into account the terms of the Placing Agreement, the Directors consider that the Placing is in the interest of the Company and the shareholders as a whole.

BUSINESS REVIEW

Extension of business activities in other healthcare related segments

The Group has been actively exploring opportunities to extend its business activities in healthcare related segments including the provision of molecular genetic testing and medical diagnostic testing services. During the 2015 Year, the Group had identified healthcare related businesses being/to be acquired by the Group including the DVF Acquisition and the AMDL Acquisition. In order to diversify the customer bases and target to the market segment, the Group has acquired high-end equipment, and has employed experts specialised in molecular genetic testing to establish a molecular laboratory during the 2015 Year. The molecular genetic testing laboratory of the Group has commenced its operation in October 2015.

Acquisition of subsidiaries

On 28 May 2015, the Company entered into a memorandum of understanding with Deep Value in relation to the proposed acquisition from Deep Value of a group of companies which are principally engaged in the provision of medical laboratory testing services and health check services in Hong Kong. Subsequently, on 18 September 2015, Fair Brilliant entered into a sale and purchase agreement with Deep Value for the DVF Acquisition. The completion of the DVF Acquisition took place on 16 December 2015. Details of the DVF Acquisition are disclosed in the announcements of the Company dated 28 May 2015, 18 September 2015 and 16 December 2015, circular of the Company dated 25 November 2015.

On 18 September 2015, Fair Brilliant entered into a sale and purchase agreement with Mr. Ng Kam Cheung Stephen and Ms. Foo Wye Chan Marie as the vendors for the AMDL Acquisition. AMDL is principally engaged in the provision of medical diagnostic services in Hong Kong. The completion of AMDL Acquisition took place on 2 October 2015. Details of the AMDL Acquisition are disclosed in the announcement of the Company dated 18 September 2015.

The Directors consider that the DVF Acquisition and the AMDL Acquisition will further expand the provision of molecular testing and medical diagnostic services business of the Group, which is an expansion of and in line with the existing healthcare related business segment of the Group. The Directors believe that the DVF Acquisition and the AMDL Acquisition will provide synergistic effect to the Group's existing business by leveraging its expertise and enlarging its customer base, broadening its income source alongside with developing its existing businesses, and thus leading to a more comprehensive development in the Company's healthcare related business.

Acquisition of an associate

In view of the business nature of Wah Yan Health and its subsidiaries which is also related to healthcare industry, the Directors consider that the WY Subscription was a strategic cooperation between the Group and Wah Yan Health and its subsidiaries which sets ground for future business cooperation if opportunity arises which will be beneficial to the business strategy and development of the Group. On 26 February 2015, Silver Wisdom Development Limited ("**Silver Wisdom**"), an indirect wholly-owned subsidiary of the Company, entered into a subscription agreement with New Health, a direct wholly-owned subsidiary of Wah Yan Health, and pursuant to which, Silver Wisdom has conditionally agreed to subscribe for, and New Health has conditionally agreed to allot and issue 23 subscription shares of New Health (representing 23% of its issued share capital as enlarged by the allotment and issue of such subscription shares) at the cash consideration of HK$4.83 million ("**NH Subscription**"). Following the completion of the NH Subscription which took place on 22 April 2015, New Health became an associate of the Group. Details of the NH Subscription are disclosed in the announcement of the Company dated 26 February 2015. It is expected that the NH Subscription will enable the Group to diversify its business and revenue sources into the provision of health management and well-being services, which is the principal business activities of New Health. The Directors consider that both the WY Subscription and the NH Subscription will allow the Group and Wah Yan Health to explore more opportunities for potential business cooperation in the future in order to take advantage of its own expertise and introduce new income stream to the Group.

Disposal of assets held for sale

In order to allow the Group to reallocate more resources to the manufacture of the pharmaceutical products in the PRC and other investments when opportunities arise, Icy Snow Limited, a direct wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with four purchasers, all being independent third parties, to sell 70% of the issued share capital of the Magical Bloom Group at a consideration of HK$12,600,000 on 31 December 2014 and completion of which took place on 30 January 2015. It was expected that the purchasers could bring resources and expertise in the sales and marketing of medicated oil in the PRC to benefit the operations and business of the Group. Details of the disposal are disclosed in the announcement of the Company dated 31 December 2014.

OUTLOOK

Looking forward, the Group is facing challenges including (i) the high pressure of increasing the labour costs, rental expenses and raw materials costs in health related and pharmaceutical products industry in the PRC and Hong Kong and the medical laboratory testing services and health check services in Hong Kong; (ii) the weak consumption sentiments in health related and pharmaceutical products in the PRC and Hong Kong; (iii) the intensifying competition in the healthcare related products industry and medical laboratory testing services and health check services in Hong Kong is a further challenge, with ongoing discount and promotion programs having an ongoing impact on profitability.

Restructuring of the business of the Group

The Group will continue to strengthen the health related and pharmaceutical products business through (i) upgrading and redesigning the websites of the operating subsidiaries of the Group in order to enhance the online sales of healthcare related products in Hong Kong; (ii) introducing new health related products and changing of the package design of the existing healthcare products in order to enlarge the products lists and attract the different market segments of customers; (iii) leveraging on solid foundation and competitive strengths of the DVF Group in the provision of medical laboratory testing services and health check services to enhance the revenue sources and profitability; and (iv) developing and expanding the distribution networks of the existing products and manufacturing of new health related and pharmaceutical products through the factory held by Shu Mei Da.

Continue to identify appropriate securities investment opportunities

The Board expects that the stock market in Hong Kong will be unstable in 2016. The Board will remain cautious in the allocation of internal resource to identify and seize appropriate securities investment opportunities in order to generate securities gain to the Group.

Participating in money lending business

With the increased market demands of the micro-financing business in Hong Kong, the Company has raised HK$20 million through the 2015 Rights Issue, which was completed on 18 September 2015, for the money lending business. The money lending business commenced in the fourth quarter of 2015. The Group has been approached by potential borrowers for the provision of loans from time to time and considers the demand for money lending is increasing. The Group will closely monitor the potential development and will pay close attention to the market conditions so as to capture business opportunities in this segment when it arises. The Company's main focus area will be personal loan and corporate loan for customers with good credit records in Hong Kong.

With the aim of bringing better returns for investors, the Directors will continue to look for and identify potential acquisition projects for the further development of the Group's health related and pharmaceutical products (including products related to personal care, health and well-being) business segment and negotiating with potential suppliers in overseas and Hong Kong for the exclusive distribution agreements of the healthcare related products to enlarge the products lists of the Group in Hong Kong.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2015, the Group held cash and bank balances of approximately HK$75,234,000 (2014: HK$39,163,000) for its continuing operations, and held cash and bank balances (included pledged cash deposit) of approximately HK$3,003,000 (2014: HK$8,711,000) for its discontinued operation.

The Group had bank and other borrowings of approximately HK$1,917,000 (2014: HK$Nil) and approximately HK$17,904,000 (2014: HK$19,014,000) relating to continuing operations and discontinued operation respectively. For continuing operations, the other borrowings of approximately HK$1,917,000 (2014: HK$Nil) were unsecured, of which RMB700,000 (equivalent to approximately HK$836,000) carried interest at 12% per annum and is repayable on 23 August 2016; and (ii) RMB906,000 (equivalent to approximately HK$1,081,000) carried interest at 8% per annum and is repayable on 26 November 2016, respectively. For discontinued operation, the bank borrowings of approximately HK$17,904,000 (2014: HK$19,014,000) were secured and carried interest floating at 135% of the prime rate offered by the People's Bank of China.

As at 31 December 2015, total assets of the Group (including assets classified held for sale) were approximately HK$478,018,000 (2014: HK$327,016,000), whereas total liabilities (including liabilities associated with assets classified as held for sale) were approximately HK$135,280,000 (2014: HK$129,103,000). The gearing ratio of the Group, calculated as total liabilities over total assets, was 28.30% (2014: 39.48%). Current ratio (defined as total current assets (including assets classified as held for sale) divided by total current liabilities (including liabilities associated with assets classified as held for sale) was 2.51 times (2014: 1.77 times).

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

Except for the acquisition of subsidiaries and an associate and disposal of assets held for sale as disclosed in the section headed "BUSINESS REVIEW" above, the Group did not have any other material acquisition or disposal of subsidiaries and affiliated companies for the 2015 Year.

FOREIGN EXCHANGE AND INTEREST RATE EXPOSURE

During the 2015 Year, the business activities of the Group were mainly denominated in Hong Kong dollars and Renminbi.

When appropriate and at times of interest rate or exchange rate uncertainties or volatility, hedging instruments including interest rate swaps and foreign currency forwards contract will be used by the Group in the management of exposure affecting interest rates and foreign exchange rate fluctuations as appropriate.

OPERATING LEASE COMMITMENTS

Operating lease commitments – the Group as the lessee

At the end of the reporting period, the Group had commitments for future minimum lease payables under non-cancellable operating leases which fall due as follows:

	2015	2014
	HK$'000	*HK$'000*
Within one year	**5,990**	1,221
In the second to fifth year inclusive	**3,044**	15
	9,034	1,236

Operating lease payments represent rentals payable by the Group for certain of its office premises, warehouses and staff quarters. Leases are negotiated and rentals are fixed for a term ranging from one to three years (2014: one to three years).

Operating lease commitments – the Group as a lessor

At the end of the reporting period, the Group had commitments for future minimum lease receivables under non-cancellable operating leases which would fall due as follows:

Land and buildings

	2015	2014
	HK$'000	*HK$'000*
Within one year	**87**	114
In the second to fifth year inclusive	**–**	31
	87	145

Plant and machinery

	2015	2014
	HK$'000	*HK$'000*
Within one year	**–**	12
In the second to fifth year inclusive	**–**	19
	–	31

All of the properties held have committed tenants for the coming one to three years (2014: one to three years).

CAPITAL COMMITMENTS

	2015	2014
	HK$'000	*HK$'000*
Authorised but not contracted for	**25,438**	25,438

On 29 September 2013, the Group has established an indirect wholly-owned wholly foreign-owned enterprise ("**WFOE**") in Guizhou Province, the PRC, pursuant to the cooperation agreement dated 28 June 2013 entered into with 貴州紅花崗區經濟開發區委員會(in English, for identification purpose only, Guizhou Hong Hua Gang District Economic Development District Management Committee) in relation to the cooperation for the investment and construction of a pharmaceutical factory in Hong Hua Gang Economic Development District, Guizhou Province, the PRC. The registered capital of the WFOE is RMB30,000,000 and the Group has paid the registered capital of RMB10,000,000. The remaining capital commitment was RMB20,000,000 (equivalent to approximately HK$25,438,000).

PLEDGE OF ASSETS

As at 31 December 2015, the Group had no outstanding bank borrowings for continuing operations. For discontinued operation, the Group's bank borrowings were secured by charges on its prepaid lease payments and certain buildings held by the Wallfaith Group with the carrying amounts of approximately HK$4,401,000 and HK$4,214,000 (2014: HK$5,408,000 and HK$4,590,000 respectively). The relevant assets and liabilities relate to discontinued operation and were reclassified as assets held for sale and liabilities associated with assets classified as held for sale as at 31 December 2015.

As at 31 December 2015, listed securities and cash held in margin accounts with stock brokers held by the Group for continuing operations with carrying amounts of approximately HK$54,793,000 (2014: HK$18,697,000) and HK$29,456,000 (2014: HK$11,497,000) respectively, have been charged in favour of the brokerage firms as collaterals for the Group's liabilities in respect of its margin trading accounts.

Pledged cash deposit amounting to HK$Nil (2014: HK$2,535,000) relates to discontinued operation and was pledged to a bank for the issuance of bills payable as at 31 December 2014.

At the end of the reporting period, the following assets were pledged by the Group to secure financing facilities of the Group

	2015	2014
	HK$'000	*HK$'000*
Property, plant and equipment	**4,401**	5,408
Prepaid lease payments	**4,214**	4,590
Held for trading securities	**54,793**	18,697
Pledged cash deposit	**–**	2,535
Cash held in margin accounts with stock brokers included in "Deposits, prepayments and other receivables"	**29,456**	11,497
	92,864	42,727

CONTINGENT LIABILITIES

As at 31 December 2015 and 2014, the Group had no contingent liabilities.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2015, the Group had approximately 489 employees (2014: 417 employees) which were located in the PRC and Hong Kong for both continuing and discontinued operations. As at 31 December 2015, the Group had approximately 259 employees (2014: 269 employees) from discontinued operation which were all located in the PRC. Total staff costs for the 2015 Year was approximately HK$26.2 million (2014 Year: HK$25.6 million) for both continuing and discontinued operations. The total staff costs from the continuing operations recorded approximately HK$18.1 million for the 2015 Year (2014 Year: HK$18.2 million).

The Group remunerates its employees based on their performance, experience and the prevailing market condition. Performance related bonuses are also granted on a discretionary basis. Other employee benefits include mandatory provident fund, insurance and medical coverage, training and share option scheme.

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme subject to a maximum of HK$1,250 per month prior to 1 June 2014 and HK$1,500 per month with effect from 1 June 2014, which contribution is matched by employees.

The employees in the PRC are members of respective state-managed defined contribution retirement benefits scheme operated by the local government. The employer and the employees are obliged to make contributions at a certain percentage of the basic payroll under rules of the schemes. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions.

The total contributions payable to the above schemes by the Group and charged to the consolidated statement of profit or loss and other comprehensive income for the 2015 Year were approximately HK$2.8 million (2014 Year: HK$2.2 million). The total contributions payable from continuing operations shared approximately HK$1.0 million (2014: HK$0.6 million) for the 2015 Year.

EVENTS AFTER THE REPORTING PERIOD

(a) On 17 December 2015, the Company entered into a sale and purchase agreement with Mr. Yang Shunfeng, a director of certain subsidiaries of Wallfaith Company Limited, to dispose of 100% of the equity interests in the Wallfaith Group at a cash consideration of HK$15,000,000. The resolution approving the proposed disposal was duly passed as an ordinary resolution of the Company by the shareholders of the Company by way of poll at the special general meeting held on 3 February 2016. The completion of the disposal took place on 16 March 2016 and each member of the Wallfaith Group ceased to be a wholly-owned subsidiary of the Company since then. Details of the disposal of the Wallfaith Group are disclosed in the announcement of the Company dated 17 December 2015, and the circular of the Company dated 15 January 2016.

(b) On 8 January 2016, the Board proposed, subject to passing the necessary shareholders' resolution, that every two issued and unissued existing shares of HK$0.05 each in the share capital of the Company would be consolidated into one share of HK$0.1 in the share capital of the Company ("**2016 Share Consolidation**"). As a result of the 2016 Share Consolidation, the authorised share capital of the Company became HK$200,000,000 divided into 2,000,000,000 consolidated shares of HK$0.1 each, of which 656,986,750 consolidated shares were in issue immediately following the 2016 Share Consolidation becoming effective. The resolution approving the 2016 Share Consolidation was duly passed as an ordinary resolution of the Company by the shareholders of the Company by way of poll at the special general meeting held on 22 February 2016. The 2016 Share Consolidation became effective on 23 February 2016. Details of the 2016 Share Consolidation are disclosed in the announcements of the Company dated 8 January 2016 and 22 February 2016, the circular of the Company dated 2 February 2016.

(c) On 28 January 2016, Exquisite Beauty Holding Limited ("**Exquisite**"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party, Mr. Yip Hai Tak, to acquire approximately 27.80% of the issued share capital in the Ultimate Synergy Limited and its subsidiaries (collectively, the "**Ultimate Synergy Group**"), at a cash consideration of HK$27,951,000. The completion of the acquisition took place on the same day, and each member of the Ultimate Synergy Group is owned as to approximately 27.80% by Exquisite and has become an associate of the Group since then. Details of the acquisition of the Ultimate Synergy Group are disclosed in the announcement of the Company dated 28 January 2016.

(d) On 28 January 2016, Dynasty entered into a sale and purchase agreement with an independent third party, Mr. Jiang, to dispose of the entire issued share capital in Allied View and the Sale Loan at a cash consideration of HK$13,600,000. The completion of the disposal took place on the same day, and Allied View ceased to be a wholly-owned subsidiary of the Company since then and the Group has ceased to hold any equity interest in each of Allied View, Trillion Epoch, Bravo Star and Chongqing Microfinance. The consideration should be settled by Mr. Jiang on or before 28 February 2016. Details of the disposal of Allied View are disclosed in the announcement of the Company dated 28 January 2016. On 26 February 2016, Mr. Jiang requested to extend the payment date of the consideration to 31 May 2016 and agreed with the Company to pay 10% of the consideration in cash within 10 days from the date of the signing of the supplemental agreement dated 26 February 2016. Details of the supplemental agreement are disclosed in the announcement of the Company dated 26 February 2016. As at the date of this announcement, the Group had received 10% of the consideration.

(e) On 5 February 2016, Wah Yan Health proposed to the Board that Wah Yan Health would, subject to fulfillment of certain conditions, make voluntary conditional securities exchange offers (i) to acquire all of the issued shares of the Company (other than those already owned by Wah Yan Health and parties acting in concert with it); and (ii) to cancel all of the outstanding share options granted by the Company pursuant to the Existing Scheme, whether vested or not ("**Voluntary Exchange Offers**"). Details of the Voluntary Exchange Offers are disclosed in the announcement of the Company dated 17 February 2016. Up to the date of this announcement, all the conditions of the Voluntary Exchange Offers have not been fulfilled.

CORPORATE GOVERNANCE PRACTICES

The Board believes that corporate governance is essential to the success of the Company. The Board is committed to maintaining corporate governance with high standard and ensuring compliance of the legal and regulatory requirements. The Company has put in place governance practices with emphasis on the integrity, quality of disclosures, transparency and accountability for the shareholders of the Company.

Throughout the 2015 Year, the Company has complied with the code provisions in the Corporate Governance Code ("**CG Code**") as set out in Appendix 15 to the GEM Listing Rules save for the deviation from code provision A.2.7 of the CG Code as disclosed below.

Under code provision A.2.7 of the CG Code, the chairman of the Company should at least annually hold meetings with the non-executive Directors (including independent non-executive Directors) without the executive Directors present. As the chairman of the Company, Mr. Cheung Hung, is also an executive Director, the Company was unable to hold such meeting where no executive Director was present.

Under code provision E.1.2 of the CG Code, the chairman of the Company should attend the annual general meeting of the Company. The chairman of the Board, Mr. Cheung Hung, did not attend the annual general meeting of the Company held on 19 May 2015 ("**2015 AGM**") due to other commitments. However, Mr. Leung Pak Hou Anson, the member of the remuneration committee of the Board and the executive Director, Ms. Chen Miaoping, the chief executive officer and the executive Director, and Mr. Lei Kin Keong, the company secretary and the financial controller of the Company, attended the 2015 AGM to answer questions and communicate with the shareholders of the Company present thereat.

COMPLIANCE WITH CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms not less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry with all Directors, the Company confirmed that all Directors have complied with the required standard of dealings and its code of conduct concerning securities transactions by the Directors during the 2015 Year.

AUDIT COMMITTEE

The Audit Committee is currently composed of three independent non-executive Directors, namely, Mr. Yuen Chun Fai, Mr. Ho Fung Shan Bob, and Mr. Leung Ka Fai. Mr. Yuen Chun Fai has been appointed as the chairman of the Audit Committee. The financial results for the 2015 Year have been reviewed by the Audit Committee.

The principal duties of the Audit Committee include:

(a) to review the relationship with the external auditor to (i) make recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; and (ii) review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

(b) to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and quarterly reports, and review these reports and significant financial reporting judgments contained in them;

(c) to review the Company's financial controls, risk management and internal control systems, discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems, and consider major investigation findings on risk management and internal control matters;

(d) to consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors; and

(e) to review arrangements employees of the Company can use, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters, and ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

During the 2015 Year, the Audit Committee has performed the above mentioned principal duties and reviewed the Company's monthly unaudited consolidated financial statements, annual results, annual report, interim report and quarterly reports and to advise and comments thereon to the Board. The Audit Committee has performed the duties to review the compliance procedures, report on the Company's internal control and risk management. The Audit Committee also met the external auditor twice without the presence of the executive Directors. Besides, there is no disagreement between the Board and the Audit Committee regarding the re-appointment of external auditor.

The Audit Committee established with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. The full terms of reference setting out the Audit Committee's authority and its role and responsibilities are available on the websites of the Company (www.ruikang.com.hk) and the Stock Exchange.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the 2015 Year.

By order of the Board
Rui Kang Pharmaceutical Group Investments Limited
LEUNG Pak Hou Anson
Executive Director

Hong Kong, 22 March 2016

As of the date of this announcement, the executive Directors are Mr. CHEUNG Hung (Chairman), Mr. LEUNG Pak Hou Anson and Ms. CHEN Miaoping (Chief Executive Officer); and the independent non-executive Directors are Mr. YUEN Chun Fai, Mr. LEUNG Ka Fai and Mr. HO Fung Shan Bob.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least 7 days from the date of its publication and on the website of the Company at www.ruikang.com.hk.